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**U.S. OBTAINS \$44 MILLION FORFEITURE ORDER
AGAINST CONVICTED HOTELIER MONTY D. HUNDLEY**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced that a preliminary order of forfeiture was entered against MONTY D. HUNDLEY in the amount of \$44,711,947 Friday as a result of his February 3, 2004 conviction for masterminding a scheme that defrauded a dozen creditors out of nearly \$100 million dollars. The forfeiture order was entered by United States District Judge LORETTA A. PRESKA, who also presided over HUNDLEY's three-month jury trial.

HUNDLEY was one of two principals of Tollman-Hundley Hotels, a group of companies that, at its peak, owned, managed, and operated more than one hundred hotels throughout the United States. HUNDLEY was also one of the former owners of Days Inn of America, the parent company of the Days Inn hotel chain. Also convicted for their roles in the scheme were three former senior executives of Tollman-Hundley Hotels, Executive Vice President and General Counsel SANFORD FREEDMAN, Chief Financial Officer JAMES CUTLER, and Vice President of Finance HOWARD ZUKERMAN. HUNDLEY's business partner and alleged co-conspirator, STANLEY TOLLMAN, is a fugitive.

According to the Indictment and the evidence presented at trial, throughout the 1980s and 1990s, HUNDLEY and TOLLMAN built a series of companies that owned and managed more than 100 hotels. The growth of those companies came about largely through borrowing hundreds of millions of dollars from and through various financial institutions, including Chemical Bank, National Westminster Bank, First National Bank of Chicago, Marine Midland, and Security Pacific (now Bank of America)("the Defrauded Financial Institutions"). HUNDLEY and TOLLMAN personally guaranteed many of these loans.

In the early 1990s, many of their hotel properties failed to repay these loans, and, following a restructuring, HUNDLEY and TOLLMAN signed deficiency notes making themselves personally liable to their creditors, including the Defrauded Financial Institutions, for approximately \$100 million.

According to the evidence at trial, at around the same time, HUNDLEY and TOLLMAN sold Days Inn of America to Hospitality Franchise Systems ("HFS"), the predecessor of Cendant. In connection with that sale, HUNDLEY and TOLLMAN entered into an earnout agreement with HFS, entitling them personally to more than a million shares of HFS stock under certain circumstances. Pursuant to that agreement, between 1993 and 1995 HUNDLEY and TOLLMAN received and sold more than a hundred million dollars worth of HFS stock.

Rather than use the proceeds of the HFS stock sale to repay their creditors in full, the evidence at trial showed that HUNDLEY and TOLLMAN, with the assistance of FREEDMAN, CUTLER and ZUKERMAN instead accomplished massive fraud. The conspirators falsely represented to HUNDLEY and TOLLMAN's creditors that HUNDLEY and TOLLMAN lacked the means to repay their debts, and duped the creditors into selling those debts, at a steep discount, to purportedly unrelated third parties who, the evidence showed, were in fact sham entities controlled and funded by HUNDLEY and TOLLMAN.

To convince the banks that TOLLMAN and HUNDLEY were broke, the evidence at trial showed that the defendants made various false oral and written statements to the banks, including providing the banks with financial statements and schedules which omitted numerous substantial assets of HUNDLEY and TOLLMAN, including the \$100 million from the sale of HFS stock; TOLLMAN's multimillion dollar homes in Palm Beach, Florida, 485 Park Avenue in Manhattan, New Preston, Connecticut, and London, England; HUNDLEY's multimillion dollar home in Bedford, New York; and TOLLMAN and HUNDLEY's ownership interests in various businesses they controlled, including Alpha Hospitality, a publicly traded gaming company.

To convince the banks that the purported third parties offering to purchase the debts were real, the evidence at trial showed, HUNDLEY and TOLLMAN, with the assistance of FREEDMAN,

CUTLER, and ZUKERMAN, falsely represented to the Defrauded Financial Institutions that they had found a group of "European investors" willing to purchase the debt from the Defrauded Financial Institutions, at a steep discount (typically 10% of the face value of the debt). HUNDLEY and TOLLMAN thereafter identified two companies that they controlled - Paternoster Holdings, and Chelsea Acquisitions Inc. - as the companies through which these unnamed European investors purportedly would purchase the debt. The evidence at trial showed there were no European investors; instead, Paternoster and Chelsea were straw entities controlled by HUNDLEY and TOLLMAN, and Paternoster and Chelsea purchased the debt largely with the proceeds of the sale of HFS stock that HUNDLEY and TOLLMAN had hidden from their creditors. In certain transactions, HUNDLEY, TOLLMAN, FREEDMAN, CUTLER, and ZUKERMAN enlisted a New York businessman, JAMES COHEN, to pose as the representative of the "European investors" supposedly financing Paternoster and Chelsea, and pretend to negotiate with the Defrauded Financial Institutions on their behalf. In truth, HUNDLEY and TOLLMAN, directly and through FREEDMAN and ZUKERMAN, dictated to COHEN, their co-conspirator, his negotiating positions.

The evidence also showed that HUNDLEY, TOLLMAN, and FREEDMAN allegedly arranged for business associates of TOLLMAN and family relations of TOLLMAN who did not share TOLLMAN's last name to sign contracts and other documents for Paternoster and Chelsea.

In many of the contracts, the family relations expressly represented, falsely, that Paternoster and Chelsea were truly separate entities, not controlled or beneficially owned by HUNDLEY and TOLLMAN. In certain transactions, HUNDLEY and TOLLMAN themselves also specifically represented, falsely, that they had no financial interest in Paternoster and Chelsea, or that they were not funding Paternoster's purchase of their debt.

The evidence at trial established that between 1993 and 1996, the conspirators persuaded the Defrauded Financial Institutions and certain other creditors to sell more than \$100 million in TOLLMAN and HUNDLEY's personal debt to Paternoster and Chelsea for less than \$10 million.

The forfeiture order entered Friday by Judge PRESKA represented the amount of the proceeds of the fraud to the extent the fraud was directed at banks, as opposed to other creditors.

Judge PRESKA also entered a preliminary order of forfeiture against MONTY D. HUNDLEY's 50% interest in Bryanston Group, Inc., a hotel management company that is part of the Tollman-Hundley hotel operation.

At trial, the jury also convicted defendant FREEDMAN of perjury, and defendants HUNDLEY and CUTLER of participating in a separate, decade-long conspiracy to defraud the IRS by causing the Tollman/Hundley companies to fail to report to the IRS more than \$29 million in compensation paid to a dozen Tollman/Hundley

employees during the 1990s. The jury also convicted HUNDLEY of numerous personal tax charges involving millions of dollars in unpaid taxes, and defendant CUTLER of tax evasion involving tens of thousands of dollars.

BRETT TOLLMAN, the son of the fugitive STANLEY TOLLMAN, pled guilty on September 5, 2003, to participating in the conspiracy not to report to the IRS the true compensation paid to Tollman/Hundley executives and employees and to a separate tax evasion scheme involving millions of dollars in income not reported to the IRS earned from the TOLLMAN family company Trafalgar Tours. On March 12, 2004, Judge PRESKA sentenced BRETT TOLLMAN principally to 33 months' imprisonment; a \$50,000 fine; and \$3.5 million in restitution to the United States.

According to documents filed in court:

HUNDLEY, 60, lives in Windemere, Florida.

FREEDMAN, 67, lives in Riverdale, New York.

CUTLER, 53, lives in Las Vegas, Nevada.

ZUKERMAN, 57, lives in Syosset, New York.

The sentencings are scheduled as follows before Judge PRESKA:

Defendant	Sentencing Date and Time
HUNDLEY	November 8, 2004 at 4:00 p.m.
FREEDMAN	November 10, 2004 at 4:00 p.m.
CUTLER	November 12, 2004 at 4:00 p.m.

Defendant	Sentencing Date and Time
ZUKERMAN	November 12, 2004 at 9:00 a.m.

STANLEY TOLLMAN, the business partner of HUNDLEY, is a fugitive on the bank fraud and tax fraud charges. BEATRICE TOLLMAN, Stanley's wife and the mother of BRETT TOLLMAN, is also a fugitive on charges relating to her active participation in the tax fraud.

Mr. KELLEY praised the outstanding investigative work of both the Internal Revenue Service and the Federal Bureau of Investigation, and noted that the investigation is continuing.

Assistant United States Attorneys PETER G. NEIMAN, JUSTIN S. WEDDLE, STANLEY J. OKULA, JR., JOHN P. COLLINS, JR., and BARBARA WARD are in charge of the prosecution.

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